SOUTH CAROLINA
EDUCATIONAL TELEVISION COMMISSION
COLUMBIA, SOUTH CAROLINA

FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED JUNE 30, 2002

SOUTH CAROLINA
EDUCATI0NAL TELEVISION COMMISSION

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YEAR ENDED JUNE 30, 2002

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State of South Carolina

Office of the State Auditor
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STATE AUDITOR

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December 19, 2002

The Honorable Jim Hodges, Governor
and
Members of the South Carolina Educational Television Commission
South Carolina Educational Television Commission
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Educational Television Commission for the fiscal year ended June 30, 2002, was issued by Rogers & Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

ROGERS & LABAN, PA
CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Mr. Thomas L. Wagner, Jr., CPA,
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Educational Television Commission ("the Commission") as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the financial statements of the Commission are intended to present the financial position and results of operations of only that portion of the funds of the State of South Carolina financial reporting entity that is attributable to the transactions of the Commission, an agency of the State. They do not purport to and do not present the financial position of the State of South Carolina as of June 30, 2002, and changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America, and do not include, other agencies, divisions or component units of the State of South Carolina.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Educational Television Commission as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments and Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus as of July 1, 2001. This results in a change in the format and content of the financial statements as detailed in Note 1. Also, the Commission changed its capitalization policy and an adjustment was made to remove those capital assets that were less than the new policy capitalization levels and changed its period of availability for the fund statements from 30 days to one year. Management also discovered an error in the accrual of certain receivables and the understatement in the cost of a capital asset. The required adjustments and the correction of the errors were accounted for as prior period adjustments as detailed in Note 20.

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The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2002 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the result of our audit.

Rogers + Laban, PA

December 13, 2002

Overview of the Financial Statements and Financial Analysis

As management of the South Carolina Educational Television Commission ("the Commission"), we provide this Management's Discussion and Analysis of South Carolina Educational Television's Financial Statements for the fiscal year ended June 30, 2002 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

A requirement of the Management's Discussion and Analysis is that it should discuss the current year results in comparison with prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. However, because this is the first year of the new accounting format and there is limited comparative data, discussion will be confined to current year data.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board in Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.* These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the Commission, the results of operations, and the cash flows of the Commission.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and, the Statement of Cash Flows. This discussion and analysis of the Commission's financial statements provides an overview of its financial activities.

Statement of Net Assets

The Statement of Net Assets presents information reflecting the Commission's assets, liabilities and net assets as of the end of the fiscal year. This statement provides the reader with a fiscal snapshot of the Commission. The Statement of Net Assets presents end of year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Assets (Assets minus Liabilities). Current assets and liabilities are those with immediate liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Assets is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The assets of the Commission exceeded its liabilities at fiscal year ending June 30, 2002 by $42.1 million. Of this amount, $4.1 million was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the Commission's ongoing obligations.

Condensed Statement of Net Assets
June 30, 2002

ASSETS		
Current assets	$	15,095,898
Capital assets, net of accumulated depreciation		38,992,157
Total assets		54,088,055
LIABILITIES		
Current liabilities	$	7,865,180
Noncurrent liabilities		4,077,631
Total liabilities		11,942,811
NET ASSETS		
Capital assets, net of related debt	$	34,366,287
Restricted		3,621,237
Unrestricted		4,157,720
Total net assets	$	42,145,244

Statement of Revenues, Expenses and Changes in Net Assets

This statement represents the program revenues and expenses, as well as any general revenue that the agency receives. The purpose of this statement is to present the reader with information relating to revenues received and expenses incurred during the fiscal year.

Program revenues for the commission are classified in three categories; Charges for Services, Operating Grants and Capital Grants. Charges for services are received for providing services to the various customers and constituencies of the agency. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting, contributed support from the ETV Endowment and private grants. Operating grants are used in the ongoing operations of the Commission. Capital grants are grants used for the purchase or construction of capital assets. The commission currently has capital grants from the US Department of Commerce, State issued Capital Improvement Bonds and State Capital Reserve funds. Total program revenue from all three sources received during the fiscal year totaled $18.7 million.

General revenues are revenues received for which services are not provided. State appropriations are considered general revenue because they are provided by the state without directly receiving commensurate services. The other items of general revenue included investment income and two contributions made to the agency. Total general revenue for the agency was $19.6 million.

Expenses for the agency are shown under the category of Educational Broadcasting and are classified as Personal Services, Other Operating, Interest, and Bond Issuance Costs. Personal service costs were $15.4 million (44.5%) for the fiscal year. Other operating costs totaled $15.3 million (44.3%). Interest costs and depreciation expense totaled $3.8 million (11.2%).

Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30, 2002

			Governmental Activities
Revenues:			
Program Revenues:			
	Charges for services	$	5,185,986
	Operating grants & contributions		9,066,031
	Capital grants & contributions		1,542,415
General Revenues:			
	State Appropriations		19,625,251
	Interest / investment income		8
	Contributions		8,919
	Total Revenues	$	35,428,610
Expenses:			
Educational Broadcasting		$	34,508,818
	Total Expenses	$	34,508,818
Increase in net assets		$	919,792
Net assets – beginning of year		$	41,225,452
Net assets – end of year		$	42,145,244

The statement of Revenues, Expenses and Changes in Net Assets reflects a positive increase in net assets for the current fiscal year.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Commission during the year. The statement is divided into five parts. The first part presents the operating cash flows and shows the net cash used by the operating activities of the institution. The second section presents cash flows from non-capital financing activities. This section includes the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section presents cash flows from capital and related financing activities. This section reflects the cash used for the acquisition and construction of capital assets. The fourth section presents the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Capital Assets and Debt Administration

The Commission's Capital Assets net of depreciation were $38.9 million at June 30, 2002. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. For fiscal year 2002 the Commission adopted the provisions of GASB 34, which required the recording of deprecation for the first time. Capital additions during the fiscal year totaled $1.33 million.

Capital Assets
For the Year Ended June 30, 2002

Land	$	946,579
Buildings & Improvements		26,495,326
Equipment & Furniture		48,931,954
Vehicles		1,589,729
Total Cost		77,017,009
Less Accumulated Depreciation		38,971,431
Net Capital Assets	$	38,992,157

The Commission did not incur any new debt during the fiscal year. Currently the Commission has one note payable with a final maturity date of May 28, 2006. The note is secured by equipment held by the Commission. As of June 30, 2002 the total amount still owed, including interest, was approximately $5.0 million.

Economic Outlook

Downturns in the U.S. economy that began in March 2001 had a similar impact on the State of South Carolina general fund revenue sources. As a result, the Commission has undergone midyear and base budget reductions to our state appropriated funds. Even with these reductions during the fiscal year, the Commission managed an increase in its net assets. The Commission is aware that future state funded appropriations may be reduced and is conducting internal and external surveys in efforts to increase operating revenue and improve efficiencies.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATEMENT OF NET ASSETS
JUNE 30, 2002

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	$ 12,754,105
Accounts receivable, net of allowance for doubtful accounts of $24,910	588,266
Intergovernmental receivables:	
General Fund of the State	1,021,985
State agencies	181,623
Costs incurred for programs not telecost	254,404
Capital improvement bonds receivable	292,685
Capital Reserve Fund appropriation receivable	2,830
Total current assets	15,095,898
Capital assets, net of aaccumulated depreciation	38,992,157
Total assets	$ 54,088,055
LIABILITIES AND NET ASSETS	
Liabilities:	
Current liabilities:	
Accounts payable	$ 1,129,538
Retainages payable	115,917
Accrued salaries and related benefits	1,259,394
Accrued interest payable	23,458
Due to Corporation for Public Broadcasting	775,841
Deferred revenue	2,249,655
Current portion of note payable	1,052,773
Current portion of capital lease payable	20,583
Current portion of accrued compensated absences and related benefits	1,238,021
Total current liabilities	7,865,180
Noncurrent liabilities:	
Note payable, net of current portion	3,461,787
Capital lease payable, net of current portion	90,727
Accrued compensated absences and related liabilities, net of current portion	525,117
Total noncurrent liabilities	4,077,631
Total liabilities	11,942,811
Net assets:	
Capital assets, net of related debt	34,366,287
Restricted	3,621,237
Unrestricted	4,157,720
Total net assets	42,145,244
Total liabilities and net assets	$ 54,088,055

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Activities
Expenses:	
Educational Broadcasting	
Personal services	$ 15,419,947
Other operating costs	15,196,258
Interest expense	259,254
Depreciation	3,633,359
Total program expenses	34,508,818
Program revenues:	
Charges for services	5,185,986
Operating grants and contributions	9,066,031
Capital grants and contributions	1,542,415
Net program expenses	18,714,386
General revenues:	
State appropriations	19,625,251
Interest/investment income	8
Contributions	8,919
Total general revenues	19,634,178
Increase in net assets	919,792
Net assets - beginning of year, as restated	41,225,452
Net assets - end of year	$ 42,145,244

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS			
Cash and cash equivalents	$ 8,831,414	$ 2,233,335	$ 1,690,356
Accounts receivable, net of allowance for uncollectible accounts of $24,910	588,266		
Due from General Fund of the State	1,021,985		
Due from other State agencies	181,623		
Due from other fund		1,000	
Costs incurred for programs not telecast	254,404		
State capital improvement bond proceeds receivable			292,685
Capital Reserve Fund appropriation receivable			2,830
TOTAL ASSETS	$ 10,877,692	$ 2,234,335	$ 1,985,871
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	$ 924,209	$ 1,080	$ 204,249
Accrued salaries and related benefits	1,255,851		3,542
Deferred revenue	17,400	2,232,255	
Due to Corporation for Public Broadcasting	775,841		
Due to other fund	1,000		
Retainages payable			115,917
TOTAL LIABILITIES	2,974,301	2,233,335	323,708
FUND EQUITY:			
Fund balances:			
Reserved for costs incurred for programs not telecast	254,404		
Reserved for capital projects and equipment			1,508,693
Reserved for partnership for distance education	32,337		
Reserved for K-12 school technology initiative	3,578,580		
Unreserved:			
Undesignated	4,038,070		153,470
TOTAL FUND EQUITY	7,903,391	-	1,662,163
TOTAL LIABILITIES AND FUND EQUITY	$ 10,877,692	$ 2,233,335	$ 1,985,871

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2002

Reconciliation to the statement of net assets:

Fund balance - governmental funds			$	9,565,553
Amounts reported for governmental activities in the statement of net assets are different because:				
Liabilities are not due and payable in the current period, therefore, are not reported in the fund.				
Note payable	$	(4,514,560)		
Capital lease payable		(111,310)		
Accrued compensated absences and related liabilities		(1,763,138)		
Accrued interest payable		(23,458)		(6,412,466)
Assets capitalized and depreciated in statement of net assets and charged to expenditures in the governmental fund:				
Capital assets, net of accumulated depreciation				38,992,157
Net assets of governmental activities			$	42,145,244

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

COMBINED STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	General	Special Revenue	Capital Projects
REVENUES:			
State appropriations	$ 18,125,251	$	$ 1,500,000
Contributed support	5,122,518		
Program sales	4,097,251		
Corporation for Public Broadcasting, Inc. grant	3,110,158		
Education Improvement Act		578,489	
Federal grants			94,399
Private grants and contracts	55,000	157,616	
Charges for services	127,752		
Rental fees	656,770		
Royalties	183,846		
Interest/investment income	8		
Capital improvement bond revenue			1,238,659
Capital Reserve Fund appropriations			209,358
Miscellaneous	124,186		42,250
TOTAL REVENUES	31,602,740	736,105	3,084,666
EXPENDITURES:			
Internal Administration	3,991,478		
Public education:			
Early childhood	370,329	33,657	
School services	410,315		
General support and services	7,091,535		
Higher education general support and services	1,517,022	623,301	
Agency services:			
Local government and business services	592,565		
General support and services	1,465,898		
Community education general support and services	5,243,885	79,147	
Public affairs general support and services	2,229,840		
Cultural and performing arts general support and services	5,823,169		
Partnership for distance learning	993		
K-12 school technology initiative	710,761		
Equipment and materials purchased for resale	80,145		
Bad debt expense	24,910		
Debt service:			
Principal	2,263,469		
Interest	310,610		
Equipment purchased and permanent improvements			1,555,009
TOTAL EXPENDITURES	32,126,924	736,105	1,555,009
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(524,184)	-	1,529,657
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	8,427,575		132,506
FUND BALANCES - END OF YEAR	$ 7,903,391	$ -	$ 1,662,163

See accompanying Notes to Financial Statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2002

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Revenues and other financing sources over (under) expenditures for the governmental funds	$	1,005,473
Amounts reported for governmental activities in the statement of activities are different because:		
Cost of capital assets are reported as expenditures in the governmental funds, but are recorded as capital asset additions in the statement of net assets		1,336,409
Depreciation of capital assets is reported as an expense in the statement of activities		(3,633,359)
Decrease in accrued interest payable is reported as a reduction of expense in statement of activities		51,355
Repayments of long-term debt are reported as expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net assets		
Note payable		1,005,919
Capital leases		1,257,551
Increase in accrued compensated absences reported as an expense in the statement of activities		(27,898)
Loss on disposals of capital assets are reported as an expense in the statement of activities		(75,658)
INCREASE IN NET ASSETS	$	919,792

See accompanying Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Carolina Educational Television Commission (the Commission) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The Commission's significant accounting principles are described below.

Reporting Entity

The Commission is responsible for the administration of the South Carolina Educational Television Network systems. The Commission is an agency of the State of South Carolina established by Section 59-7-10 of the Code of Laws of South Carolina.

The Governor appoints the members of the Commission with the advice and consent of the Senate. The Commission members are the governing body of the Commission. The funds and account groups of the Commission are included in the Comprehensive Annual Financial Report of the State of South Carolina, the primary government.

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Commission has determined it has no component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) <u>and</u> (1) it is able to impose its will on that organization <u>or</u> (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

(1) Determines its budget without another government having the authority to approve and modify that budget;
(2) Levies taxes or set rates or charges without approval by another government; or,
(3) Issues bonded debt without approval by another government.

The accompanying financial statements present the financial position and the results of operations of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Commission.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance. The Commission had the following governmental funds.

General Fund - The general fund accounts for all activities except those required to be accounted for in another fund. Revenues include the annual state appropriation as approved by the General Assembly, Corporation for Public Broadcasting, Inc. (CPB) grant funds, program sales, royalties, charges for services, contributed support and cost reimbursements. The revenues are used for general ongoing governmental services such as administration, maintenance, program development and production, transmission and reception of programs, and debt service. Program sales revenues report amounts received from State agencies, the ETV Endowment and others for services related to and for support of programming, production and broadcasting of programs. The Commission reports as charges for services revenue income from the ETV Endowment primarily for reimbursement of administrative services and other costs and income from State agencies and other entities for services not related to production of programs and for certain equipment.

In addition, the general fund includes the receipts and disbursements of monies from other state agencies related to the dual employment of Commission employees.

Special Revenue Fund - The special revenue fund generally records the expenditure of revenues and contributions that are restricted to specific programs or projects. Revenues and contributions are derived from grants that are restricted for certain purposes. The special revenue fund recognizes revenue when the expenditure is incurred. Included in the special revenue funds are State Education Improvement Act (EIA) grants.

Capital Projects Fund – The capital projects fund accounts for financial resources to be used for the acquisition of equipment or the construction of capital projects either when the project extends beyond a single fiscal year or the equipment expenditures are acquired with capital improvement bond proceeds or Capital Reserve Fund appropriations. Some of the equipment purchases through the capital projects fund are not capitalized because they do not meet the Commission's capitalization policy. Resources are derived from capital improvement bond proceeds issued by the State of South Carolina, Capital Reserve Fund appropriations, as well as State appropriations, and funding from federal grants and private sources restricted to capital asset transactions reported in this fund type. Also included are EIA grant funds to be used for capital expenditures. The fund balance account related to these capital projects is titled reserved for capital projects and equipment.

Government-wide and Fund Financial Statements

The financial statements of the Commission are presented in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, available means expected to be received within one year of the fiscal year-end.

Nonexhange transactions, in which the Commission receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Commission follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing $100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Commission capitalized movable personal property with a unit value in excess of $5,000 and a useful life in excess of one year and buildings and improvements and intangible assets costing in excess of $100,000. Routine repairs and maintenance and library materials, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Budget Policy

The Commission is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Department. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

A budget versus actual comparison is not presented as required supplementary information for any of the funds since not all revenues or expenditures are budgeted in any of the funds.

Cash and Cash Equivalents

The amounts shown in the financial statements as "cash and cash equivalents" represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies, including the Commission, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosure in Note 3.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Commission records and reports its deposits in the general deposit accounts at cost and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Commission's special deposit accounts is posted to the Commission's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Commission's accumulated daily interest receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments in the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition.

Accounts Receivable

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Commission has established an allowance for doubtful accounts based on historical data and an analysis of the aged receivables at year end. The balance on the financial statements is shown net of the allowance.

Cost Incurred for Programs Not Telecast

Cost incurred for programs not telecast is accounted for using the purchase method whereby these costs are recorded as expenditures when the expenditure is incurred and the cost incurred for programs not telecast at year end is reflected at cost in the asset section of the balance sheet. For financial statement purposes, costs incurred for programs not telecast as of each year end are offset by a reserved fund balance account because the asset does not represent resources available for expenditures.

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's work week are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the agency's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances which commenced on or before June 30, 2002. The Commission calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net assets.

Net Assets / Fund Balance

The Commission records reservations for portions of its fund equity which are legally segregated for specific future uses or which do not represent available expendable resources and therefore, are not available for expenditures in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Net assets are categorized as follows:

Invested in capital assets, net of related debt: This represents the Fund's total investment in capital assets, net of outstanding debt obligations, if any, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted: Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets*:* Consists of the remainder of the Commission's assets in excess of liabilities excluding those net assets reported in other categories.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Contributed Support

Contributed support consisting of expenditures incurred on behalf of the entity is recorded as revenues and expenditures in the general fund as services are provided. The principal portion of contributed support is provided by the ETV Endowment of South Carolina. Support by these entities includes payments on behalf of the Commission, primarily for program production or purchase, such as advertising, project development, general and administrative expenditures and fund raising expenditures which are reported primarily in cultural and performing arts general support and service expenditures by the Commission at a value equal to the actual cost to the contributing entity.

Deferred Revenue

Deferred revenue consist primarily of certain EIA and private grant contract revenue received before services required by the grantor or donor have been rendered.

CPB Grants

The Commission annually receives a grant from the Corporation for Public Broadcasting, Inc. (CPB). The CPB is a non-federal, non-governmental, not-for-profit organization that receives grants from the federal government, the private sector, and other sources. The CPB then allocates grants to public television stations nationwide for community service and these funds are unrestricted for broadcasting operations.

NOTE 2. STATE APPROPRIATIONS:

The following represents a reconciliation of the Appropriations Act for the period ended June 30, 2002 as originally enacted by the General Assembly to State appropriation revenue as reported in the general fund.

Original appropriation	$ 18,984,010
Supplemental Appropriations (Proviso 63C.9)	414,879
Supplemental Appropriations (Proviso 72.109)	1,500,000
State budget mid-year reductions	(1,245,254)
Adjusted Appropriation, Budgetary Basis	19,653,635
Accrual adjustments:	
Funding for personal services and employer contributions	(28,384)
Accrual basis State appropriation revenue	$ 19,625,251

The total amount of 2002 State appropriated funds authorized to be carried forward to fiscal year 2003 was $3,621,237. The Commission carried forward $32,337 of the supplemental appropriations received in fiscal year 2000 from fiscal year 1999 surplus State General fund appropriations for Partnership for Distance Education as allowed by Part IV of the 2000 Appropriations Act. Pursuant to Proviso 6.5 of the 2001-2002 Appropriations Act, the Commission carried forward $3,578,580 of the appropriations transfer from the Department of Education for the K-12 School Technology Initiative. In addition, the Commission was allowed to carry forward $10,320 pursuant to Proviso 72.43 of the 2003 Appropriations Act.

NOTE 3. DEPOSITS:

All deposits of the Commission are under the control of the State Treasurer who, by law, has sole authority for investing State funds.

The following schedule reconciles deposits within the footnotes to the balance sheet amounts:

Balance Sheet		Footnotes	
Cash and Cash Equivalents	$12,754,105	Petty Cash	$ 200
		Deposits Held by State Treasurer	12,753,905
Totals	$12,754,105	Totals	$12,754,105

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

NOTE 4. CAPITAL ASSETS:

The following schedule summarizes capital assets activity for the Commission for the fiscal year 2002:

	Beginning Balances as Restated June 30, 2001	Increases	Decreases	Ending Balances June 30, 2002
Capital assets not being depreciated				
Land and improvements	$ 946,579	$	$	$ 946,579
Total capital assets not being depreciated	946,579	-	-	946,579
Other capital assets:				
Buildings and improvements	26,495,326			26,495,326
Equipment and furniture	48,354,110	1,309,041	(731,197)	48,931,954
Vehicles	1,589,723	27,368	(27,362)	1,589,729
Total other capital assets	76,439,159	1,336,409	(758,559)	77,017,009
Less accumulated depreciation for				
Buildings and improvements	5,489,167	522,245		6,011,412
Equipment and furniture	29,951,478	2,959,309	(657,640)	32,253,147
Vehicles	580,328	151,805	(25,261)	706,872
Total accumulated depreciation	36,020,973	3,633,359	(682,901)	38,971,431
Other capital assets, net	40,418,186	(2,296,950)	(75,658)	38,045,578
Total capital assets, net	$ 41,364,765	$ (2,296,950)	$ (75,658)	$ 38,992,157

The Commission discovered an error in the allocation of certain costs during the current year. Beginning balances were restated to reclassify $814,867 from building and improvements to land and improvements. Also, vehicles were separated from equipment and furniture and the costs of beginning buildings and improvements was increased by $50,000. See note 20.

NOTE 5. DUE FROM THE GENERAL FUND OF THE STATE:

The amount receivable represents funds due from the State General Fund for personal services and employer contributions of Commission salaries and the cost of related employee benefits funded by State appropriations accrued at June 30 but paid in July. Personal services and employer contributions applicable to funding sources other than State appropriations are accrued as expenditures at year end but are not included in the receivable from the General Fund of the State.

NOTE 6. LEASES:

Capital Leases

The capital lease payable as of June 30, 2002 consists of a capital lease obligation due to commercial lenders for the purchase of a saddle stitch system from an external party.

Prior year's capital lease obligations also included amounts due for the purchase of an AT&T satellite. The satellite obligation as executed on December 30, 1993 requires annual installments of $1,311,022 on July 15th of each year, with a final maturity on July 15, 2001. The obligation bears an effective interest rate of 4.25% per annum and is collateralized by a satellite costing $10,400,000. The final payment, made on July 15, 2001, consisted of $1,257,551 in principal and $53,471 in interest. The satellite was launched in December 1993 and is guaranteed by AT&T against failure for a period of 12 years. In the event such failure occurs, AT&T has agreed to replace the satellite. There is no commitment on the part of the Commission to repair or maintain the satellite.

The saddle stitch system obligation of $111,310 from Bank of America as executed on June 29, 2001 requires annual installments of $24,948 on July 15th of each year, beginning on July 15, 2002 with a final maturity on July 15, 2006. The obligation bears an effective interest rate of 3.92% per annum and is collateralized by the equipment.

As of June 30, 2002, the present value of the future minimum capital lease obligations and minimum annual lease payments for the capital lease follows:

Fiscal year ending June 30,

2003	$ 24,948
2004	24,948
2005	24,948
2006	24,948
2007	24,948
	124,740
Less: Interest costs	13,430
Present value of net minimum payments	$ 111,310

Total interest expense on capital leases was $6,410 for the fiscal year.

Operating Leases

The Commission conducts part of its operations from leased facilities which include towers and office space. All leases are with external policies. These leases expire beginning with fiscal year 2003 and continue through fiscal year 2008. The Commission has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Commission should the General Assembly not provide funding for these leases. The Commission also leases equipment on a month to month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases. The Commission is responsible for maintenance on most leased property. Rental expenditures under all operating leases totaled approximately $343,000 for the year ended June 30, 2002.

At June 30, 2002, the Commission's obligations under noncancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,	
2003	$ 318,637
2004	311,220
2005	256,189
2006	127,407
2007	36,638
Thereafter	31,603
Total	$ 1,081,694

NOTE 7. NOTE PAYABLE:

On May 25, 1999, the Commission borrowed $7,400,000 under a note payable from a financial institution. Annual payments of $1,263,058 including interest at 4.66% are due each May 28th with final maturity on May 28, 2006. The note is secured by equipment with an original cost of approximately $17,500,000.

Total interest expense on the note payable during the fiscal year was $222,882.

Details of annual debt service, including interest, for each year are as follows:

Year ending June 30,	Principal	Interest	Total
2003	$ 1,052,773	$ 210,285	$ 1,263,058
2004	1,101,811	161,247	1,263,058
2005	1,153,132	109,926	1,263,058
2006	1,206,844	56,214	1,263,058
Total debt service obligations	$ 4,514,560	$ 537,672	$ 5,052,232

NOTE 8. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30 2002 was as follows:

	Balance, July 1, 2001	Additions	Reductions	Balance, June 30, 2002	Due Within One Year
Note payable	$ 5,520,479	$	$ 1,005,919	$ 4,514,560	$ 1,052,773
Obligation under capital lease	1,368,861		1,257,551	111,310	20,583
Accrued compensated absenses and related benefits	$ 1,735,239	1,302,903	1,275,004	1,763,138	1,238,021
	$ 8,624,579	$ 1,302,903	$ 3,538,474	$ 6,389,008	$ 2,311,377

NOTE 9. STATE CAPITAL IMPROVEMENT BOND PROCEEDS RECEIVABLE:

In prior years, the State authorized funds for improvements and expansion of facilities and for debt service using the proceeds of state capital improvement bonds. As capital projects are authorized by the State Budget and Control Board, the bond proceeds are allocated to the projects. The Commission records the proceeds as revenue in the capital projects fund when the expenses/expenditures are incurred. The Commission is not obligated to repay state capital improvement bonds. These authorized funds can be requested as needed once State authorities have given approval to begin specific projects.

A summary of the balances receivable from these authorizations as of June 30, 2002 follows:

Act	Total Authorized	Balance Authorized June 30, 2002
518 of 1980	$ 2,621,641	$ 3,992
28 of 1999	$ 10,000,000	$ 2,197,113

NOTE 10. DUE FROM CAPITAL RESERVE FUND:

In fiscal year 1997, the Commission received a transfer of $3,500,000 of Capital Reserve Funds from the State Budget and Control Board (B&CB) for Instructional Television Fixed Service (ITFS) Expansion. An additional $3,500,000 was received in fiscal year 1999 for the same purpose as the 1997 appropriation. In fiscal year 2001, the Commission received $250,000 for the Charleston Regional Station expansion pursuant to fiscal year 2000 Joint Resolution R467,H4776. The unspent portion at June 30, 2002 from each of the appropriations described above is restricted to expenditure for the purpose for which the funds were originally appropriated. The Commission can request these funds as capital expenditures are made.

A summary of the activity for these funds as of June 30, 2002 follows:

Total Appropriation	Balance of Appropriation to Be Drawn
$ 3,500,000	$ 20,742
3,500,000	424,420
250,000	237,808
$ 7,250,000	$ 682,970

NOTE 11. RELATED PARTY:

A major portion of the funding of the Commission is provided by the ETV Endowment of South Carolina, Inc. (the Endowment) and South Carolina Educational Communications, Inc(Communications), a separately chartered eleemosynary corporations governed by an independent boards of trustees over whom the Commission exercises no control. The Endowment/Communications provides support services for the Commission through the purchasing and underwriting of various programming. During the year ended June 30, 2002, the Endowment/Communications disbursed $5,122,518 on behalf of the Commission for programs, development, advertising and other costs. The disbursements have been recorded as revenue under contributed support and expenditures under Cultural and Performing Arts General Support and Services, Public Affairs General Support and Services and Community Education General Support and Services in the General Fund. In addition, the Commission received approximately $1,350,000 from the Endowment/Communications which is reported primarily as program sales.

Summarized financial information for the Endowment/Communications as of and for the year ended June 30, 2002 is as follows:

	Endowment	Communications
As of June 30, 2002		
Total assets	$ 11,508,804	$ 572,189
Total liabilities	$ 682,941	$ 141,474
Total net assets	10,825,863	430,715
Total liabilities and net assets	$11,508,804	$ 572,189
For year ended June 30, 2002		
Revenues	$ 9,554,691	$ 5,549,906
Expenses	10,729,900	5,503,038
Change in net assets	$ (1,175,209)	$ 46,868

NOTE 12. TRANSACTIONS WITH OTHER STATE AGENCIES:

The Commission has significant transactions with the State of South Carolina and various State agencies.

Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; debt assistance services, check preparation and banking from the State Treasurer; legal services from the Attorney General; and records storage from the Department of Archives and History. Other services received at no cost from the various divisions of the State Budget and Control Board include retirement plan administration, insurance plan administration, procurement services, grant services, audit services, personnel management, assistance in the preparation of the State Budget, property management and record keeping, review and approval of certain budget amendments and other centralized functions.

The Commission had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for retirement and insurance plan contributions, vehicle rental, insurance coverage, office supplies, printing, telephone, and interagency mail. Significant payments were also made during the year to the State Accident Fund and the Employment Security Commission for worker's compensation and unemployment insurance, respectively. The fiscal year expenditures applicable to these transactions are not readily available.

The Commission provided no services free of charge to other State agencies during the fiscal year. Program sales revenues include fees charged for services provided to the following State agencies which include programming, production, and broadcasting:

Name of Agency	
Department of Public Safety	$ 231,021
Public Service Commission	220,130
State Department of Education	119,474
SC Commission on Prosecution Coordination	115,473
University of South Carolina	112,975
Medical University of South Carolina	93,047
Clemson University	90,946
Department of Health and Environmental Control	76,778
Commission for Higher Education	58,046
Department of Mental Health	44,695
Department of Alcohol and Other Drugs (DAODAS)	36,004
Budget and Control Board	32,948
Governor's Mansion	30,441
Department of Transportation	29,213
Coastal Carolina University	12,256
Winthrop University	12,074
Department of Natural Resources	11,918
Other State agencies less than $10,000	53,960
Total	$ 1,381,400

During the year, the Commission purchased services from various State agencies. These expenditures are reported primarily under the classification of Internal Administration primarily for taxes, insurance telecommunications and other contracted services and were paid to the following State agencies:

Name of Agency	
SC Budget and Control Board	$ 2,460,611
State Accident Fund	98,572
Department of Revenue and Taxation	47,780
University of South Carolina	29,628
Clemson University	21,966
Department of Education	18,769
Comptroller General	13,100
Other state agencies under $10,000	7,889
Total	$ 2,698,315

NOTE 13. PENSION PLAN AND OTHER EMPLOYEE BENEFITS:

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

The majority of employees of the Commission are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all state employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years of service and qualify for a survivor's benefit upon completion of 15 years credited service (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service. (This requirement does not apply if the disability is a result of a job related injury.) A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 10.40 percent which included a 2.85 percent surcharge to fund retiree health and dental insurance coverage. The Commission's actual contributions to the SCRS for the years ended June 30, 2002, 2001, and 2000, were approximately $894,000, $874,000, and $844,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the Commission paid employer group-life insurance contributions of approximately $17,800 in the current fiscal year at the rate of .15 percent of compensation.

The amounts paid by the Commission for pension and group-life benefits are included as personal services expenses.

Article X, Section 16 of the South Carolina Constitution requires that all state operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest twelve consecutive quarters of compensation).

The Systems do not make separate measurement of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the Commission's liability under the retirement plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the Commission's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated therefore in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the fund recognizes no contingent liability for unfunded costs associated with participation in the plans. At retirement, employees participating in the SCRS may receive additional service credit (at a rate of 20 days equal to one month of service) for up to 90 days for accumulated unused sick leave.

NOTE 14. POST RETIREMENT AND OTHER EMPLOYEE BENEFITS:

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the Commission are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the Commission for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the Fund for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 22,000 State retirees met these eligibility requirements as of June 30, 2001.

The Commission recorded employer contribution expenses applicable to these insurance benefits for active employees in the amount of approximately $1,120,000 for the year ended June 30, 2002. As discussed in Note 14, the Fund paid approximately $339,000 applicable to the 2.85 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits. Information regarding the cost of insurance benefits applicable to Commission retirees is not available. By State law, the Fund has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements. In addition, the South Carolina General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the System's earnings; however, a portion of the required amount is appropriated from the South Carolina General Fund annually.

NOTE 15. DEFERRED COMPENSATION PLANS:

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Commission have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee.

The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

NOTE 16. RETIREMENT INCENTIVE

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement System who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. Each participant is entitled to be paid up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period.

The Commission recorded expenditures of approximately $28,000 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2002. These expenditures are reported in the applicable program categories in which the payroll costs for the respective employees are recorded.

NOTE 17. RISK MANAGEMENT:

The Commission is exposed to various risks of loss and maintains State or commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. The Commission pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

State management believes it is more economical to manage certain risks internally and to set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

The Commission and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles;
4. Torts; and
5. Natural disasters.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability. The IRF's rates are determined actuarially.

The Commission obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. *The limit is $25,000 per incident*. The Commission self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during the fiscal year ended June 30, 2002.

The Commission obtains broadcaster liability insurance through a commercial carrier covering media liability. The policy has a limit of $1,000,000 with a $5,000 deductible.

The Commission has recorded insurance premium expenses in the applicable program expenditure category. These expenses do not include estimated claim losses and estimable premium adjustments.

The Commission has not reported an estimated claims loss expenditure, and the related liability at June 30, 2002, based on the requirements of GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30, 2002 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2002, the Commission was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Commission's management believes for risk of loss the occurrence of which it considers a remote likelihood, it is more economical to manage such risks internally. The Commission does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

The Commission is unable to estimate lost revenues, the costs of relocation and temporary facilities for continuing operations, and the cost of replacement facilities for uninsured losses. During the fiscal year ended June 30, 2002, the Commission did not experience any losses as a result of business interruption.

In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

NOTE 18. COMMITMENTS:

As of June 30, 2002, the Commission had approximately $5,720,000 in outstanding commitments primarily for purchases of supplies and equipment. The funding sources for these commitments consist primarily of capital improvement bond proceeds, State Capital Reserve Fund appropriations, EIA funds, and other operating sources.

NOTE 19. CONTINGENCIES:

During fiscal year 2001, the Corporation for Public Broadcasting (CPB) performed an audit of the Commission's Non-Federal Financial Support (NFFS) for the fiscal years 1998, 1999 and 2000. The CPB bases its annual grant to the Commission on the Commission's NFFS.

According to the CPB's Inspector General's audit findings, the Commission had overstated its NFFS which resulted in higher grant awards from the CPB. The Commission included in-kind local productions in calculating the NFFS. In 1996, the CPB simplified its grants process and no longer accepted donated local or national programming for NFFS purposes.

The audit findings went further and recalculated the grant awards received by the Commission in fiscal years 2000 and 2001 which are based on the Commission's NFFS for fiscal years 1998 and 1999, respectively. The CPB has requested a reimbursement for the difference of $775,841 and the Commission recorded a liability for the $775,841 in fiscal year 2001.

The Commission, in a letter dated in October of 2001, asked that the amount due be relieved. Additional correspondence has been sent to the CPB and received. CPB has not changed its initial determination.

During fiscal year 2000, the Commission sold its Millwood Avenue property. In fiscal year 2001, the Commission was served a complaint by the purchaser of that property regarding an asbestos problem. The case is going through the discovery process for both sides and the Commission is vigorously contesting the case. As of the date of the audit report, the outcome of this case cannot be determined.

NOTE 20. ACCOUNTING CHANGES/PRIOR PERIOD ADJUSTMENTS

The Commission made a correction of an error involving the application of an accounting principle. In previous years, revenues from State capital improvement bonds and State Capital Reserve fund appropriations were recognized when the bonds / funds were authorized by the legislature. Because the Commission is entitled to seek reimbursement for construction costs only to the extent of expenses incurred for the approved projects, certain capital improvement bond proceeds revenue and capital reserve fund revenue previously recognized had not been earned at June 30, 2001.

All State agencies and institutions were required to adopt a capitalization limit of $5,000 for movable personal property (including library material) and $100,000 for depreciable land improvements, buildings and improvements, and tangible assets, as of July 1, 2001. As a result of the change in asset capitalization policy, the Commission removed capitalized assets on hand at July 1, 2001, which did not meet the new capitalization levels. Also, all State agencies were required to change the definition of the period of availability for revenue recognition for its governmental funds from 30 days to one year.

As a result of the adoption of GASB Statement No. 34 as discussed in Note 1, the Commission was also required to make certain changes in accounting principles, specifically recording in the statement of net assets, capital assets, long-term liabilities and accrued interest payable.

The Commission also discovered that certain land had been previously recorded as buildings and improvements and that the costs of buildings was overstated as detailed in Note 4.

The effect of accounting and reporting changes on beginning fund equity in the fund financial statements is as follows:

	Governmental Funds
Fund balance, June 30, 2001, as previously reported	$ 12,631,947
Adjust beginning receivables to reflect change of availability period from 30 days to one year	257,396
Correction of errors:	
Adjust receivables from capital improvement bonds and Capital Reserve Fund	(4,329,262)
Fund balance, June 30, 2001, as restated	$ 8,560,081

The effect of accounting and reporting changes on beginning net assets in the entity –wide financial statements is as follows:

Net assets July 1, 2001	$ -
Record fund equity at June 30, 2001 of fund based activities previously reported in financial statements	124,621,614
Adjust beginning receivables to reflect change of availability period from 30 days to one year	257,396
Adjustment resulting from increase in capitalization limits	(34,653,929)
Correction of errors:	
Adjust receivables from capital improvement bonds and Capital Reserve Fund	(4,329,262)
Correct carrying costs of building	50,000
GASB Statement No. 34 restatements	
Record the following assets and liabilities:	
Accumulated depreciation	(36,020,973)
Note payable	(5,520,479)
Capital leases payable	(1,368,861)
Accrued compensated absences and related benefits	(1,735,239)
Accrued interest payable on debt	(74,815)
Net assets, July 1, 2001, as restated	$ 41,225,452

ROGERS & LABAN, PA
CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. Thomas L. Wagner, Jr., CPA,
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the financial statements of the South Carolina Educational Television Commission (the Commission) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements begin audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Commission as detailed on page 33.

This report is intended solely for the information and use of the Governor of South Carolina and Commission members and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Rogers & Laban, PA

December 13, 2002

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SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
MANAGEMENT LETTER COMMENTS

FOR THE YEAR ENDED JUNE 30, 2002

OPERATING LEASE DEFICIENCIES

The operating leases closing package prepared by the Commission and submitted to the Comptroller General did not report two leases. This same finding was cited in last year's management letter.

We recommend that additional care should be taken to ensure that the information contained in the closing package is accurate.

CAPITAL ASSETS

Our audit of capital assets disclosed that some equipment that had been cannibalized or disposed of had not been removed from the detailed equipment listing. Also, the Commission included approximately $184,000 in current year retirements on its closing package that should have been reported as part of the change in capital assets due to a change in the capitalization policy.

We recommend that the Commission ensure that all cannibalized or disposed of equipment is removed from the detail fixed asset listing in a timely manner. Also, care should be taken to ensure that only current year's activity is reported as retirements on the closing package.

COMPENSATED LEAVE REPORTS

Our testing of the compensated leave report disclosed that the balances for two of the ten employees tested was overstated. Also, our testing of the report of the actual leave used during the year disclosed that the amount of leave taken by one employee was understated by approximately $280. The errors appeared to be the result of data entry errors.

We recommend that additional care be taken to ensure that all data is entered correctly.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002

During our current audit, we reviewed the status of corrective action taken on the findings we reported in our report on the financial statements of the Commission dated November 26, 2001, resulting from the audit of the financial statements for the year ended June 30, 2001. We found that adequate corrective action has been taken on the comment regarding the lack of a receivables collection policy and that the finding regarding operating leases had been partially corrected. The finding regarding operating leases being omitted from the closing package is repeated in this year's report.

MANAGEMENT'S RESPONSE

APPENDIX A

EXPANDING THE VIEW™
South Carolina ETV

Maurice J. Bresnahan
President and CEO
(803) 737-3240
Fax: (803) 737-8298
Email: mbresnahan@scetv.org

January 8, 2003

Mr. Barry S. Laban, CPA
Rogers and Laban, PA
1529 Hampton Street
Columbia, South Carolina 29201

Dear Mr. Laban:

This is in response to the Management Letter comments for the audit period ending June 30, 2002, for SC Educational Television.

Management Letter Comment: The operating leases closing package prepared by the Commission and submitted to the Comptroller General did not report two leases. This same finding was cited in last year's management letter.

We recommend that additional care should be taken to ensure that the information contained in the closing package is accurate.

Management's Response: We concur that the two leases were not reported on the closing package. We took steps based on the previous year's audit to ensure that all leases were identified. The two leases in question were identified but were treated as contingent rentals and therefore were not included in the closing package.

Management Letter Comment: Our audit of capital assets disclosed that some equipment that had been cannibalized or disposed of had not been removed from the detailed equipment listing. Also, the Commission included approximately $184,000 in current year retirements on its closing package that should have been reported as part of the change in capital assets due to a change in capitalization policy.

We recommend that the Commission ensure that all cannibalized or disposed of equipment is removed from the detail fixed asset listing in a timely manner. Also, care should be taken to ensure that only current year's activity is reported as retirements on the closing package.

Management's Response: We concur with this finding. Staff will be informed of the importance of submitting the proper paperwork before an asset is cannibalized. Retirements for the current year will be verified with the Inventory Specialist before the closing package is completed.

Mr. Barry S. Laban, CPA
Page 2
January 8, 2003

Management Letter Comment: Our testing of the compensated leave report disclosed that the balances for two of the ten employees tested were overstated. Also, our testing of the report of the actual leave used during the year disclosed that the amount of leave taken by one employee was understated by approximately $280. The errors appeared to be the result of data entry errors.

We recommend that additional care be taken to ensure that all data is entered correctly.

Management's Response: We concur with this finding. Additional care will be taken during data entry and preparation of the compensated leave report.

Sincerely,

Maurice "Moss" Bresnahan
President and CEO